

## Message Text

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ACTION EA-09

INFO OCT-01 EB-07 ISO-00 SP-02 USIA-06 AID-05 NSC-05

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 4052

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E.O. 11652: N/A

TAGS: EFIN, TH

SUBJ: VIEWS OF THE FINANCE MINISTER DESIGNATE

1. SAWET PIAMPHONGSAN, FINANCE MINISTER DESIGNATE, IS QUOTED IN THE PRESS AS BEING "ANGERED" OVER A 4 BILLION BAHT (200 MILLION DOLLARS) DEFICIT FOR FISCAL '76 (ENDING SEPT 30), DUE TO HEAVY SPENDING BY THE KHUKRIT GOVERNMENT. THIS CHARGE OF HEAVY SPENDING IS NOT BORNE OUT BY THE FACTS. WE ASSUME HE HAS PRE-LIMINARY FIGURES OF A 200 MILLION DOLLAR DEFICIT IN THE CASH ACCOUNT FOR THE FIRST SIX MONTHS OF FISCAL '76. ACTUALLY, THIS WOULD REFLECT A LOWER RATE OF SPENDING THAN THAT AUTHORIZED BY THE BUDGET. PUBLISHED FIGURES INDICATED THAT GOVERNMENT SPENDING IS RUNNING ABOUT 12 PERCENT MORE THAN A YEAR AGO WHILE THE BUDGET WOULD ALLOW ABOUT A 24 PERCENT INCREASE.

2. SAWET FURTHER COMMENTED THAT CUSTOMS AND EXCISE TAX COLLECTIONS ARE WELL BELOW TARGETS. WHILE THIS IS TRUE, PERHAPS A BETTER MEASURE IS TO COMPARE COLLECTIONS THIS YEAR WITH COLLECTIONS LAST YEAR. BY THIS MEASURE THEY ARE UP 17 PC. IT NOW APPEARS THAT FULL YEAR REVENUES WILL BE ABOUT 45 BILLION BAHT (2.25 BILLION DOLLARS), SOME 3 BILLION BAHT (150 MILLION DOLLARS) BELOW THE AMOUNT PROJECTED AT THE BEGINNING OF

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THE FISCAL YEAR. AT THE CURRENT RATE OF SPENDING, THE

CASH DEFICIT WILL PROBABLY BE LESS THAN 10 BILLION BAHT  
(500 MILLION DOLLARS) WHICH THAILAND CAN FINANCE  
DOMESTICALLY WITHOUT SERIOUS INFLATIONARY IMPLICATIONS.

3. SAWET ALSO PAID THE TRADITIONAL OBEISANCES THAT ANY  
INCOMING FINANCE MINISTER MAKES TOWARD STRICTER COLLECTIONS  
OF TAXES. TAXATION OF LARGE INCOMES IN THAILAND IS A SUBJECT  
FOR BARGAINING BETWEEN THE TAX COLLECTOR AND THE LARGE  
TAXPAYER AND IT WOULD TAKE A DRAMATIC CHANGE IN THAI CULTURAL  
ATTITUDES BEFORE THERE WAS ANY SIGNIFICANT INCREASE IN  
COLLECTIONS.

4. SAWET'S EXPRESSED HOPE FOR SIGNIFICANT INCREASES IN  
REVENUES FROM PROPERTY AND INHERITANCE LEVIES IS ALSO LIKELY  
TO PROVE DISAPPOINTING. IN THE LAST ASSEMBLY THE PROPERTY  
TAX BILL PROPOSED BY FINANCE MINISTER BUNCHU ROTCHANASATHIAN  
NEVER GOT OFF THE GROUND, PRINCIPALLY BECAUSE OF THE OPPOSITION  
OF THE PROPRIETED CLASS WHICH MAKES UP THE ASSEMBLY. IT WILL  
TAKE INSPIRED LEADERSHIP TO GET A STRONG PROPERTY TAX BILL  
ENACTED. FURTHER, INHERITANCE TAXES ARE NOT MAJOR REVENUE  
PRODUCERS, EVEN IN ADVANCED COUNTRIES WITH GOOD COLLECTION  
SYSTEMS.

5. UNDER SAWET THE POWER OF THE FINANCE MINISTER WILL NOT  
BE WHAT IT WAS UNDER BUNCHU. WHERE THE FOCAL POINT OF  
ECONOMIC DECISION-MAKING WILL BE IS DIFFICULT TO  
PREDICT AT THIS TIME, BUT THE EMBASSY WOULD EXPECT THAT  
OTHER AGENCIES OVERSHADOWED BY THE FINANCE MINISTRY  
DURING BUNCHU'S TIME, SUCH AS THE BANK OF THAILAND AND THE  
MINISTRY OF COMMERCE, WILL FIGHT FOR GREATER AUTHORITY.  
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